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4. Ramie. Hunan, Hupeh, and Kiangsi provinces produce the largest amounts of ramie in Central-South China. The entire ramie output is about two million shih-tan annually. The ramie plant is adaptable to regions having a somewhat damp atmosphere and a hot summer season. Kiangsi, situated in the middle Yangtze Valley, possesses all of the requirements for successful ramie-growing. The planting area in 49 hsien of Kiangsi amounted to 146,480 shih-mou (24,413 acres) in 1934, with an output of 86,500 shih-piculs (4,758 tons). In 1935 the total area in 57 hsien decreased to 111,032 shih-mou (18,505 acres), but the output increased to 119,322 shih-piculs (6,563 tons).[26] Such a difference was due to the severe drought in the province during 1934. The yeild of ramie fibers per shih-mou of land varies greatly in accordance with the local conditions. In Chiu-chiang (Kiukiang), one shih-mou (1/6 acre) of ramie fields yields 165 catties (182 pounds) of ramie fiber, and in Ihuang, as much as 300 catties (363 pounds).[27] Only a small portion of ramie was consumed locally in making native products, grass-linen and fish nets. The larger portion is usually shipped to other provinces and exported abroad, especially to Japan for making fish nets. In

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26. Bureau of Foreign Trade, Chinese Economic Journal, Vol. XIX, No. 6, Shanghai, December 1936, pp. 646-48.

27. Ibid., p. 649.

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FOREIGN TRADE AND EXCHANGE

RELATIVE IMPORTANCE OF THE CENTRAL-SOUTH PROVINCES AS FOREIGN TRADE CHANNELS

Two important factors serve to distinguish Kwangtung, one of the Central-South provinces, from the rest of China in the field of foreign economic relations. First, easy access to Hong Kong and Macao[1] provides a vital channel for Communist China's trade with countries outside the Soviet bloc. The significance of this factor varies directly with the severity of external trade sanctions against Communist China, as well as the effectiveness of external interference with the operation of other major seaports such as Shanghai. Second, the province of Kwangtung is the home province of the majority of Chinese residents in Southeast Asia, the United States, and other countries, and thus it represents the terminal of the bulk of remittances from abroad.

Besides Kwangtung, which borders on British Hong Kong, Portuguese Macao, and, since the latest boundary change in July, 1955, Indo-China, Kwangsi is the only other province in the Central-South Region that has an international boundary, although direct trade with Indo-China has not been important in the past. Honan, Kiangsi, Hupeh, and Hunan, on the other hand, are internal and inland provinces; consequently, as channels of foreign trade none of the latter provinces can be compared with Kwangtung. In the past, when Shanghai was the most important port in China's foreign trade,

1. What is said of Hong Kong is equally applicable to Macao, except the latter is less significant.

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Hankow (Hupeh) was also of considerable importance because of its commanding position as a distribution center on the Yangtze River, and because of the large flow of transit trade between Shanghai and central and western China passing through Hankow. With the decline of Shanghai under the Communist regime in this respect, the position of Hankow has also suffered. 439

MARITIME CUSTOMS ESTABLISHMENTS

The significance of the preceding remarks is clearly reflected in the distrubiton of customs offices, which are as a rule, located at the principal ports. Within the Central-South Region there are now nine principal customs offices and four sub-offices. Seven principal offices and the four sub-offices are in Kwangtung; Hupeh and Kwangsi each has one principal office. There are no customs establishments in Honan, Hunan, and Kiangsi. 502

LOCATION OF CUSTOMS OFFICES IN CENTRAL-SOUTH CHINA */

Province	Principal Office	Sub-Office
Hupeh	Wuhan	
Kwangtung	Swatow	
	Canton	Huang-p'u
	Kowloon (At Shen-ch'uan or Shum-chun)	Wen-ching-tu Kung-men Tung-yü
	Chiang-men	
	Pei-hai	
	Chan-chiang	
	Hai-k'ou	
Kwangsi	Wu-chou	

*/ [See following page.]

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EXPORT AND IMPORT

The importance of the individual provinces in foreign trade, however, must not be assessed merely from the point of view of trading channels.

Although geographical and historical factors have made Kwangtung the most important province in this area in trading with the outside world, the other provinces are no less important as producers of exportable goods. Since the bulk of Chinese exports consists of food grains and other agricultural products, the Central-South Region, as an area in which there is normally a food surplus, is of vital importance in Communist China's export program and, indirectly, in the Chinese five-year industrialization plan. Kiangsi and Hunan should be singled out in this respect because of their large rice surplus. In addition, production of several exportable ores is concentrated in this area; namely, tungsten in Kiangsi, Kwangtung, and Hunan; antimony in Hunan; and tin in Kwangsi. To the above list may also be added the tobacco of Honan and the wood oil of Hunan.

The provinces of the Central-South Region are considerably more important as producers of Chinese exports than as consumers of imports, because imports are now restrcited primarily to capital equipment and industrial raw materials, which are shipped to large industrial centers either in existence or under construction. With the exception of Wuhan, the Hsiang-t'an area in Hunan, and to a lesser extent, Canton, as well as some mining centers, the rest

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*/ Lun-hsien Hou Ti Ta-lu [The Mainland Under Occupation] , Taipei, Chung-hua wen -hua ch u-pan shih-yeh wei-yüan hui, 1953, pp. 140-61.

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of the Central-South Region apparently has relatively low priority in Chinese industrial planning. This means that while the production of exportable goods in the Central-South Region is a key factor in financing Chinese imports, the region does not derive any large benefit directly from such imports.

VOLUME OF EXPORTS FROM CENTRAL-SOUTH CHINA

According to one official report,[2] the total value of exports of "native" and "special" products in 1950 from the Central-South Region amounted to $180,000,000. The estimated value[3] of Communist China's total exports in the same year was about $466,500,000. The so-called "native" and "special" products consisted of various agricultural and handicraft products, as well as the several ores specified above. However, since the food grains exported in 1950 consisted mostly of soya beans, which were shipped chiefly from Manchuria, and no large rice export was reported for the country as a whole, it may be assumed that the $180,000,000 represented virtually all of the exports derived from Central-South China in that year. Thus it may be said that 38 per cent of Communist China's exports in 1950 were derived from the Central-South Region.

2. Nan Han-ch'en, "Ti-i-chieh Ch'uan-kuo Nung-ts'un Chin-yung Hui-i Ti Tsung-chieh Pao-kao ["Summary Report to the First National Conference on Agricultural Credit], Chung-yang Ts'ai-ching Cheng-ts'e Fa-ling Hui-pien [Compilation of Laws and Regulations Concerning Financial and Economic Policies], Vol. III, Peking, Ts'ai-ching wei-yuan-hui, 1952, p. 261.

3. Yuan-li Wu, (1), "Communist China's Trade with the West," The Pacific Spectator, Vol. VII, no. 4, Stanford, Autumn, 1953.

1:Stanford U. S-4, 5 1956 AF14 Central China AF14

According to one estimate,[4] the value of total exports from Communist China rose over $670,000,000 in 1951; it fell to $478,000,000 in 1952 and reached the level of $636,000,000 in 1953. This general trend coincided with an increase of food exports to which the Central-South provinces doubtless contributed substantially, especially with respect to rice export. While the relative share of the Central-South Region in total exports may have undergone some change, there is every reason to believe that since 1950 approximately one-third of Communist China's exports have originated in this area.

CENTRAL-SOUTH PORTS IN TOTAL FOREIGN TRADE

It should be noted at this juncture that ports of the Central-South provinces accounted for fifteen per cent of the value of total exports from China, excluding Manchuria, in 1936, the year before the outbreak of the Sino-Japanese War. This ratio[5] rose to twenty per cent in 1946. Although no recent official data are available, the relative importance of the ports of the Central-South Region may be gauged on the basis of Chinese exports to Hong Kong and Macao, the nearest foreign-controlled ports to Kwangtung. The relative share of such trade in Communist China's estimated total exports[6] amounted to 35.3 per cent in 1950, 25.1 per cent in 1951, 32.6 per cent in 1952, and 25.4 per cent in 1954. Over one-half of the recorded exports to Hong Kong, according to the Hong Kong Government Gazette,

4. Yuan-li Wu, An Economic Survey of Communist China, New York, Bookman Associates, Inc., 1956, p. .

5. Computed from Chinese Maritime Customs, Trade of China, 1936 and 1946, Shanghai.

6. Yuan-li [illegible], (2) loc. cit.

1:Stanford U. S-4, 5 1956 AF14 Central China AF14

came from Chinese ports in the Central-South Region.

As points of entry for imports, the Central-South ports accounted for 19 per cent of China's imports in 1936, but only for eight per cent in 1946.[7] In 1950, however, nearly 66.9 per cent of Communist China's total imports was derived from Hong Kong and Macaco and some forty per cent of this trade was conducted with the South China ports,[8] partly as a result of the Nationalists' blockade of Shanghai. Although the relative quantitative importance of Hong Kong has declined since that time, the position of the Central-South ports with respect to trade with non-Soviet Bloc countries has not.

TRADE BETWEEN HONG KONG AND KWANGTUNG

The special position occupied by Hong Kong in trade with China is based on several factors. The keen desire of British merchants to trade with China, geographical proximity, and the existence of a predominantly Chinese population in Hong Kong have helped to determine the nature and the extent of trade with China.

The fact that the Hong Kong Chinese population is, to a large extent, albeit not completely, dependent upon Communist China for the supply of foodstuffs

7. See footnote no. 4.

8. Yuan-li Wu, (2), and Far Eastern Economic Review, Vol. XII, No. 2, p. 56. Hong Kong, January 10, 1952.

1:Stanford U. S-4, 5 1956 AF14 Central China AF14

and other consumer goods, is clearly reflected in the relevant trade statistics. For instance, during 1948, Kwangtung accounted for 99.5 per cent of the life fowl exported by China. In other cases, the figures were 99.9 per cent for firewood, 97.3 per cent for live hogs, 98.5 per cent for bamboo mats, 86 per cent for tea oil, and 80.5 per cent for cassia bark.[9] According to trade returns for the three months following the Communists' occupation of Canton, 70 per cent of exports from Canton were composed of four items -- tea oil, wood oil, live hogs, and tin.[10] In China's over-all exports, the relative share of these and similar commodities exported to Hong Kong from Kwangtung and the Central-South provinces as a whole has decreased since 1950, but the importance of such articles in Chinese exports to Hong Kong has not changed appreciably. This assertion finds support in Hong Kong's trade returns, which reported for 1954 among the greatest share of imports from China such items as live hogs, eggs, fowls, fresh vegetables, beans, and other food products.[11] The upshot of this is that Communist China can count upon Hong Kong as a reliable market for its exports from Kwangtung and, consequently, as a good source of foreign exchange income.

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9. The figures are for Jan.-Sept., 1948. See Ching-chi tao-pao she (ed.), Ching-chi tao-pao, (Economic Bulletin), No. 163, pp. 7-8, Hong Kong, March 21, 1950.

10. Ibid.

11. Ching-chi tao-pao (Economic Bulletin) Nos. 240-241, pp. 23-24, Hong Kong, October 1, 1951.

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The geographical proximity of Kwangtung to Hong Kong further means that whenever necessary it is possible to rush imports from Hong Kong at short notice. This is aptly illustrated by the spectacular upsurge of imports from Hong Kong to South China following Communist China's intervention in the Korean conflict and the freezing of Mainland China's dollar assets in the United States in December 1950.[12] According to one Communist report, the volume index of the average monthly imports from Hong Kong to South China in the first seven months of 1951 stood at 183.6 (October 1950 = 100) as compared with 92.4 for the last quarter of 1950.

COMMODITY SMUGGLING

Even when trade restrictions imposed by Hong Kong prevent the free flow of certain types of imports to Communist China, Hong Kong's geographical position makes smuggling a distinct possibility. In fact, smuggling may be conducted in contravention to either Hong Kong's or Communist China's trade regulations, or to both, and is known to have been active at times. For instance, there have been some reports on the smuggling of liquid fuels from Hong Kong to Kwangtung and of narcotics from Kwangtung to Macao and Hong Kong.[13] Smuggled imports of various consumer goods prohibited by the Chinese Communist authorities were also reported in 1950 and 1951, although since that time such information[14]

12. Ching-chi tao-pao she (ed.), Ching-chi tao-pao [Economic Bulletin], Nos. 240-41, pp. 23-24, Hong Kong, October 1, 1951.

13. Wah-kiu yat-pao, Hua-ch'iao Jih-pao [Overseas Daily], Hong Kong, April 27 and 29, 1955.

14. Ching-chi tao-pao she (ed.) Ching-chi tao-pao [Economic Bulletin], #229, pp. 3-4, HongKong, July 3, 1951; #176, pp. 17-18, Jun 20, 1950.

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has been heavily censored. The major smuggling routes are from Shen-ch'uan (Shumchun) to the adjacent Kwangtung villages, and thence to Canton, from Macao to Shih-ch'i (Shekki), from Macao to Hsiang-shan, Fan-yü, and Ho-shan, and from Hong Kong to Ch'ao-chou and Swatow.[15]

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CONTROL OF FOREIGN EXCHANGE

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Prior to the Communist regime some export commodities had been traded in Hankow along the Yangtze River and in Swatow along the South China coast. But the volume of foreign exchange transactions there remained comparatively small because most were carried out either in Shanghai or in Hong Kong. However, Canton had been the threshhold for the flight of capital in defiance of government control. Export commodities were shipped by railway to Canton and sold to local merchants for Hong Kong currency, which had a large circulation in Canton. The local merchants bought the commodities at a discount and trans-shipped to Hong Kong, surrendering the foreign exchange to the government banks. Meanwhile, people in Kwangtung Province received large amounts of overseas remittances, mostly through private banks or firms dealing in this business. These remittances then entered into the black market, constituting a main source of supply of foreign exchange for the black market. Both Hong Kong currency and the oversea remittances were convertible in the Hong Kong free market into any kind of foreign currency.

The Central-South China foreign-exchange control system, similar to that of North and East China,

15. Ibid.

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If any unequal treatment accorded to different groups is a source of potential popular dissatisfaction the same may be true in the case of different regional interests. In this connection, the fact that the Central-South provinces derive less benefit from foreign imports than their contribution to the country's foreign exchange income would warrant offers another interesting point for thought. The people in Kwangtung, for example are well aware of the possibility that they may obtain cheap imported consumer goods of good quality from Hong Kong, which they now have to forego, in exchange for their exports. The national policy of trade controls and domestic self-sufficiency inevitably discriminates against a region of export surplus.

The possibility of smuggling between Hong Kong and Kwangtung, as mentioned before, can be either harmful or beneficial to Communist China depending upon who the smugglers are and what types of goods are involved. In order to eliminate undesirable smuggling, the Communist authorities have imposed severe restrictions on the movement of goods and persons between Hong Kong and Kwangtung. That this has worked hardship on peasants in the border area is beyond dispute. Nor should one fail to emphasize the effect on the Chinese trade-control machinery of any potentially corruptive influence to which the Communist customs service may be exposed through the effort of smugglers.